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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 10 A.M. EST
MONDAY, MARCH 29, 1982

STATEMENT OF
HENRY ESCHWEGE, DIRECTOR
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION

BEFORE THE

SENATE COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY



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ON

GENERAL ACCOUNTING OFFICE REVIEWS OF
THE FOOD STAMP PROGRAM

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

WE ARE HERE TODAY AT YOUR INVITATION TO DISCUSS THE RESULTS
OF OUR ONGOING AND RECENTLY COMPLETED FOOD STAMP PROGRAM REVIEWS.
I WILL HIGHLIGHT THE MAJOR ISSUES INVOLVED.

QUALITY CONTROL DATA FOR THE 6 MONTHS ENDED MARCH 1981 SHOWS
THAT 10.6 PERCENT OF THE FOOD STAMP BENEFITS WERE OVERISSUANCES,
AND AN AMOUNT EQUAL TO 2.6 PERCENT WAS UNDERISSUED. IF QUALITY
CONTROL REPORTS FOR THE SECOND HALF OF FISCAL YEAR 1981 SHOW
SIMILAR ERROR RATES, OVERISSUED BENEFITS FOR THE YEAR WILL TOTAL
ABOUT \$1.1 BILLION AND UNDERISSUED BENEFITS WILL BE ABOUT \$275
MILLION.

WAYS TO REDUCE ERRONEOUS ELIGIBILITY
AND BENEFIT DETERMINATIONS

THE VAST MAJORITY OF OVERISSUANCES AND UNDERISSUANCES FOR
THIS \$10.6 BILLION PROGRAM STEM FROM ERRORS IN DETERMINING COR-
RECT INCOME, ASSETS, AND HOUSEHOLD SIZE. INCORRECT DATA ON
EARNED AND UNEARNED INCOME CAUSED TWO-THIRDS OF THE LOSS IN THE

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STATES WE REVIEWED. IN MOST CASES, THE UNDERLYING CAUSE WAS INCORRECT DATA PROVIDED BY CLIENTS OR THEIR FAILURE TO PROVIDE INFORMATION.

FOOD STAMP OFFICES' FAILURE TO OBTAIN SUFFICIENT DOCUMENTATION AND TO MAKE PROPER USE OF CLIENT-REPORTED DATA OR OTHER AVAILABLE INFORMATION ALSO CONTRIBUTED TO PROGRAM LOSSES. FOR EXAMPLE, ELIGIBILITY WORKERS DID NOT ADJUST BENEFIT LEVELS BASED ON CLIENT-REPORTED CHANGES, AND DATA READILY OBTAINABLE FROM AID-TO-FAMILIES-WITH-DEPENDENT-CHILDREN (AFDC) CASE FILES WAS NOT USED. CASEWORKERS DID NOT ALWAYS CHANGE BENEFIT LEVELS BASED ON INCREASED INCOME FROM COST-OF-LIVING ADJUSTMENTS OR OTHER ACROSS-THE-BOARD CHANGES IN PROGRAMS SUCH AS SOCIAL SECURITY AND AFDC. ALSO, CASEWORKERS DID NOT ALWAYS APPLY FOOD STAMP REGULATIONS CORRECTLY. IN SOME CASES THE COMPLEXITY OF THE REGULATIONS OR THE PRACTICAL DIFFICULTIES OF CARRYING THEM OUT WERE MAJOR FACTORS.

OPPORTUNITIES FOR MAKING IMPROVEMENTS EXIST WITHIN THE PRESENT AUTHORITY OF THE DEPARTMENT AND STATE AND LOCAL FOOD STAMP AGENCIES, AS SHOWN BY THE FOLLOWING ITEMS.

ITEM 1. REGULATIONS NOW PERMIT STATES TO REQUEST MORE DOCUMENTATION FROM CLIENTS AND TO PERFORM MORE VERIFICATION TO REDUCE ERRORS IN FIVE AREAS--HOUSEHOLD SIZE, LIQUID RESOURCES, SHELTER COSTS, UTILITY EXPENSES, AND DEPENDENT CARE. OF THE EIGHT STATES WE REVIEWED, ONE ADOPTED ALL FIVE OPTIONS, FOUR ADOPTED ONE TO FOUR, AND THREE ELECTED NOT TO DO ANY ADDITIONAL VERIFICATION WORK. ONLY ONE STATE OPTED TO VERIFY HOUSEHOLD SIZE, A MAJOR DETERMINANT OF THE AMOUNT OF BENEFITS HOUSEHOLDS RECEIVE MONTHLY.

ITEM 2. STATES COULD USE THE TIME AVAILABLE FOR VERIFICATION WORK MORE EFFECTIVELY IF THEY MADE MORE EXTENSIVE USE OF EXISTING QUALITY CONTROL DATA TO IDENTIFY HOUSEHOLDS WITH GREATER PROBABILITY OF HAVING ERRORS IN THEIR CASES. THIS TECHNIQUE, KNOWN AS ERROR-PRONE PROFILING, IS USED MORE EXTENSIVELY IN THE AFDC AND SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAMS.

ITEM 3. EACH STATE WITH AN ERROR RATE OF 5 PERCENT OR MORE MUST HAVE A DEPARTMENT-APPROVED PLAN TO REDUCE ERRORS. OUR CURRENT WORK SHOWS, AS WE PREVIOUSLY REPORTED IN 1975, THAT PLANS OFTEN DID NOT ADDRESS SPECIFIC PROBLEMS OR CAUSES.

ITEM 4. MUCH LEGISLATION DESIGNED TO IMPROVE PROGRAM ADMINISTRATION HAS NOT YET BEEN IMPLEMENTED. FOR EXAMPLE, AGRICULTURE HAS NOT ISSUED REGULATIONS REQUIRING WAGE MATCHES OR EXPANDING THE REQUIREMENT FOR SOCIAL SECURITY NUMBERS TO ALL HOUSEHOLD MEMBERS.

ITEM 5. GREATER USE OF AUTOMATED DATA PROCESSING COULD ELIMINATE ERRORS, FACILITATE VERIFICATION, AND SAVE CASEWORKERS' TIME.

LEGISLATIVE CHANGES COULD HELP

THE RATES OF OVERISSUANCES IN THE MEDICAID AND AFDC PROGRAMS IN WHICH STATES SHARE IN PROGRAM COSTS ARE SUBSTANTIALLY LOWER THAN IN THE FOOD STAMP PROGRAM. NATIONAL AVERAGES ARE ABOUT 5 PERCENT FOR MEDICAID, 7.3 PERCENT FOR AFDC, AND 10.6 PERCENT FOR FOOD STAMPS. THUS FAR, HIGHER RATES OF ADMINISTRATIVE COST REIMBURSEMENT AUTHORIZED BY LAW AS AN INCENTIVE FOR REDUCING ERROR RATES HAVE HAD LITTLE EFFECT ON FOOD STAMP ERRORS OR OVERISSUANCES NATIONALLY. CURRENTLY AUTHORIZED FOOD STAMP SANCTIONS PROVIDE LITTLE HOPE FOR QUICK REDUCTION OF THE ERROR RATE. AGRICULTURE CANNOT IMPOSE SANCTIONS ON ANY STATES WITH ERROR RATES BELOW THE

CURRENT NATIONAL CUMULATIVE ALLOTMENT ERROR RATE OF ABOUT 13 PERCENT (A TOTAL PERCENTAGE FOR BOTH OVERISSUANCES AND UNDERISSUANCES). STATES BELOW THIS THRESHOLD DO NOT NEED TO REDUCE ERRORS TO AVOID SANCTIONS. IN FACT, THEIR ERROR RATES CAN INCREASE UP TO THE NATIONAL AVERAGE WITHOUT ANY PENALTY.

FOR STATES WITH ERROR RATES ABOVE THE AVERAGE, AGRICULTURE CAN STIPULATE HOW FAST ERROR RATES MUST DECLINE TO AVOID SANCTIONS. ESTABLISHED CRITERIA REQUIRE AN ANNUAL 10-PERCENT REDUCTION OF THE DIFFERENCE BETWEEN EACH STATE'S CURRENT ERROR RATE AND AN ASSUMED ACCEPTABLE RATE OF 5 PERCENT. PRESENTLY, 19 STATES' ERROR RATES, RANGING FROM 13.4 PERCENT TO 22.5 PERCENT, EXCEED THE NATIONAL AVERAGE. IF WE ASSUME A 13-PERCENT ERROR RATE, AND DISREGARD THE FACT THAT REDUCTIONS BELOW THE NATIONAL AVERAGE ARE NOT REQUIRED, THEORETICALLY AGRICULTURE'S CRITERIA COULD ALLOW 30 YEARS TO REDUCE THAT RATE TO 5.3 PERCENT. IN CONTRAST, THE AFDC PROGRAM REQUIRES STATES WITH ERROR RATES EXCEEDING 4 PERCENT TO REACH THAT GOAL IN THREE EQUAL ANNUAL REDUCTIONS BY THE END OF FISCAL 1983.

THE PRESIDENT'S PROPOSALS FOR MODIFYING SEVERAL INCOME SECURITY PROGRAMS INCLUDE PHASING IN FULL STATE RESPONSIBILITY FOR ERRONEOUS AFDC, FOOD STAMP, AND MEDICAID PROGRAM PAYMENTS. MAKING STATES FINANCIALLY LIABLE FOR PROGRAM ERRORS WOULD PROVIDE A MAJOR INCENTIVE FOR BETTER ADMINISTRATION, ESPECIALLY FOR THE FOOD STAMP PROGRAM WHOSE BENEFITS ARE TOTALLY FINANCED BY THE FEDERAL GOVERNMENT.

IF SUCH A PROPOSAL IS ADOPTED, STATES MUST BE ALLOWED ACCESS TO DATA NEEDED TO VERIFY APPLICANTS' REPORTED INCOME AND ASSETS. WE RECENTLY RECOMMENDED ELIMINATION OF CERTAIN LEGISLATIVE

RESTRICTIONS ON THE USE OF FEDERALLY MAINTAINED DATA FOR VERIFICATION PURPOSES IN NEEDS-BASED PROGRAMS.

THE PROPOSAL TO CONSOLIDATE ADMINISTRATIVE FUNDING FOR AFDC, MEDICAID, AND FOOD STAMPS DOES PROVIDE OPPORTUNITIES FOR SAVINGS. WE ARE CONCERNED, HOWEVER, THAT ADMINISTRATIVE ATTENTION TO THE 100-PERCENT FEDERALLY FUNDED FOOD STAMP PROGRAM MAY NOT RECEIVE THE SAME EMPHASIS AS THAT GIVEN TO AFDC AND MEDICAID PROGRAMS WHICH THE STATES HELP FINANCE. MUCH WILL DEPEND ON WHETHER STATES WILL BE HELD RESPONSIBLE FOR PROGRAM ERRORS.

IN 1981 THE CONGRESS ENACTED PROVISIONS TO CONTROL PROGRAM GROWTH AND REDUCE ERRORS. PROVISIONS TO PRORATE FIRST-MONTH BENEFITS, ELIMINATE BOARDERS AS SEPARATE HOUSEHOLDS, AND SIGNIFICANTLY RESTRICT BENEFITS TO STRIKERS WERE IMPLEMENTED IN SEPTEMBER 1981. RULE CHANGES REQUIRING RETROSPECTIVE ACCOUNTING, PERIODIC CLIENT REPORTING, AND EXPANDING THE REQUIREMENT FOR PARTICIPANTS' SOCIAL SECURITY NUMBERS WERE TO BE PROPOSED THIS MONTH. WE BELIEVE, HOWEVER, THAT SEVERAL ADDITIONAL CHANGES COULD HELP TO LOWER ERROR RATES.

LEGISLATION NOT YET IMPLEMENTED REQUIRES STATES TO MATCH APPLICANT-REPORTED INCOME WITH WAGE DATA FROM EITHER STATE EMPLOYMENT SECURITY AGENCIES OR THE SOCIAL SECURITY ADMINISTRATION. REGULATIONS TO REQUIRE USE OF INCOME MATCHING IN DETERMINING INITIAL ELIGIBILITY AND BENEFITS COULD HELP REDUCE OVERISSUANCES. ALSO, PERIODIC MATCHES AGAINST EXISTING CASELOADS COULD HELP IN IDENTIFYING OVERISSUANCES, ADJUSTING MONTHLY BENEFITS, AND ESTABLISHING CLAIMS TO RECOVER OVERPAYMENTS.

LAST YEAR'S LEGISLATION MODIFIED THE DEFINITION OF A HOUSEHOLD BY REQUIRING MOST FAMILY MEMBERS LIVING TOGETHER TO APPLY

AS ONE HOUSEHOLD. UNRELATED PERSONS AND ELDERLY AND DISABLED PARENTS, HOWEVER, CAN STILL CLAIM SEPARATE HOUSEHOLD STATUS. IT IS VERY DIFFICULT TO VERIFY SEPARATE HOUSEHOLD STATUS FOR PEOPLE LIVING TOGETHER. TREATING PERSONS RESIDING TOGETHER AS A SINGLE HOUSEHOLD FOR FOOD STAMP PURPOSES WOULD GREATLY SIMPLIFY THE PROCESS AND WOULD FREE STAFF TO CONCENTRATE ON VERIFYING INCOME, ASSETS, AND HOUSEHOLD SIZE.

WE ARE EXPLORING OTHER WAYS TO SIMPLIFY ADMINISTRATIVE BURDENS AND AVOID ERRORS IN DETERMINING ELIGIBILITY. ONE POSSIBILITY THE CONGRESS MIGHT CONSIDER IS CREATING A STANDARD DEDUCTION FOR SHELTER COSTS RATHER THAN TAKING INTO ACCOUNT MANY VARYING HOUSEHOLD CIRCUMSTANCES.

FEW OVERISSUANCES ARE RECOVERED

WE ARE ALSO CURRENTLY ASSESSING FEDERAL, STATE, AND LOCAL EFFORTS TO IDENTIFY HOUSEHOLDS THAT HAVE ERRONEOUSLY OBTAINED OR BEEN DENIED FOOD STAMP BENEFITS. LITTLE IMPROVEMENT HAS BEEN MADE SINCE WE LAST REPORTED IN 1977 THAT ONLY A SMALL AMOUNT OF OVERISSUANCES HAD BEEN COLLECTED.

OUR CURRENT WORK IN SIX STATES IS REVEALING SIMILAR PROBLEMS IN IDENTIFYING OVERISSUANCES, ALTHOUGH CLAIMS ESTABLISHED AS A PERCENTAGE OF PROJECTED OVERISSUANCES HAVE INCREASED FROM 4 PERCENT IN 1976 TO 4.7 PERCENT IN 1980 TO 6.2 PERCENT FOR 1981. THE 1981 CLAIMS PERCENTAGE REPRESENTS ABOUT \$70 MILLION. HOWEVER, AS IN 1976 AND 1980, ONLY 1 PERCENT OF THE OVERISSUANCES WERE RECOVERED.

IN THE 1981 LEGISLATION, THE CONGRESS GAVE STATES AUTHORITY TO PURSUE COLLECTION OF OVERISSUED BENEFITS THROUGH AN OFFSET PROVISION. FOR OVERISSUED BENEFITS IN NONFRAUD CASES WHICH ARE

NOT THE RESULT OF AGENCY ERROR, STATES MUST REDUCE A RECIPIENT HOUSEHOLD'S MONTHLY ALLOTMENT BY THE GREATER OF 10 PERCENT OR \$10. A COMPANION PROVISION ALLOWS STATES TO RETAIN 25 PERCENT OF ALL NONFRAUD RECOVERIES EXCEPT THOSE CAUSED BY AGENCY ERROR. AGRICULTURE PLANS TO IMPLEMENT THESE PROVISIONS IN MAY 1982, SO THERE IS NO MEASURE YET OF HOW THIS WILL AFFECT STATES' COLLECTION ACTIVITY.

THESE OFFSET PROVISIONS COULD BE REVISED TO CONFORM TO AFDC LEGISLATION WHICH PROVIDES FOR MANDATORY OFFSET FOR OVERISSUANCES CAUSED BY AGENCY ERRORS AS WELL AS CLIENT ERRORS. OF COURSE STATES SHOULD NOT SHARE IN RECOVERIES STEMMING FROM AGENCY-CAUSED ERRORS. OFFSET PROVISIONS SHOULD BE EFFECTIVE IN RECOVERING OVERPAYMENTS FROM HOUSEHOLDS STILL ELIGIBLE FOR BENEFITS, BUT CLEARLY THEY ARE NOT EFFECTIVE AGAINST THOSE NO LONGER RECEIVING BENEFITS.

STATES WE REVIEWED HAD MIXED REACTIONS TO EXISTING ADMINISTRATIVE PROCEDURES FOR ADJUDICATING FRAUD. SOME FOUND IT COSTLY, CUMBERSOME, AND TOO DIFFICULT TO ESTABLISH GUILT. OTHERS FOUND IT AN ATTRACTIVE ALTERNATIVE TO THE COURTS. THE 1981 LEGISLATION ADDED "INTENTIONAL MISREPRESENTATION" (IN ADDITION TO FRAUD) AS A PUNISHABLE OFFENSE UNDER THIS PROCESS. THE DEPARTMENT HAS STRONG RESERVATIONS THAT THIS CHANGE WILL HELP SIMPLIFY THE ADJUDICATION PROCESS BECAUSE A CLIENT'S INTENT TO BENEFIT WOULD STILL HAVE TO BE ESTABLISHED.

EXPEDITED SERVICE

WE RECENTLY REPORTED PRELIMINARY INFORMATION ON THE FOOD STAMP EXPEDITED SERVICE PROVISION, WHICH ALLOWS CLIENTS TO RECEIVE FOOD STAMP BENEFITS WITHIN 3 WORKING DAYS OF APPLICATION. FOR

THE 15 STATES WITH AVAILABLE DATA, FROM 6 PERCENT TO 70 PERCENT OF ALL NEW CASES STARTED ON AN EXPEDITED BASIS. QUALITY CONTROL DATA FOR 20 STATES SHOWED THAT ERRORS FOR EXPEDITED CASES WERE GENERALLY LOWER THAN THOSE FOR THE OVERALL CASELOAD. THERE IS SOME QUESTION WHETHER THE DATA REFLECTS THE ACTUAL SITUATION BECAUSE STATES REVIEWED ONLY A LIMITED NUMBER OF EXPEDITED CASES AND SOME CASES SELECTED THROUGH STATISTICAL SAMPLING WERE NOT REVIEWED. OFFICIALS IN FOUR STATES WE VISITED FAVORED A LONGER PROCESSING PERIOD OF 7 TO 14 WORKING DAYS OR ELIMINATING THIS SPECIAL SERVICE BECAUSE OF ITS DISRUPTIVE EFFECT ON ADMINISTERING EXISTING CASELOADS.

WEAKNESSES IN BENEFIT DELIVERY SYSTEMS

WE ALSO RECENTLY REPORTED THAT AGRICULTURE NEEDS TO CORRECT WEAKNESSES IN ITS AUTHORIZATION-TO-PARTICIPATE (ATP) SYSTEM THROUGH WHICH STATES WILL DISTRIBUTE \$8 BILLION OF THE \$10.6 BILLION IN FISCAL YEAR 1982 FOOD STAMP BENEFITS. LOSSES THROUGH THE SYSTEM, RESULTING FROM VARIOUS ACTS OF CLIENTS OR THIRD-PARTY FRAUD, WERE REPORTED TO BE ABOUT \$12 MILLION ANNUALLY. THE FIGURE IS PROBABLY LARGER BECAUSE NOT ALL REPORTING JURISDICTIONS FILED REPORTS IDENTIFYING DUPLICATE ISSUANCES AND OTHERS UNDERSTATED THEIR LOSSES. OUR RECOMMENDATION THAT AGRICULTURE IDENTIFY AND REQUIRE USE OF THOSE ELEMENTS OF EXISTING SYSTEMS WHICH ARE MOST EFFECTIVE IN PREVENTING LOSSES SHOULD HELP IN THIS EFFORT.

ALSO, AT THE TIME OF OUR REPORT, AGRICULTURE REQUIRED ONLY 17 LOCATIONS TO INSTITUTE PHOTO IDENTIFICATION CARDS TO REDUCE DUPLICATE ISSUANCES. THIS REQUIREMENT SHOULD BE EXTENDED TO ALL LOCATIONS EXPERIENCING SIGNIFICANT DUPLICATE ATP TRANSACTIONS.

MORE RECENTLY, AN ADDITIONAL EIGHT LOCATIONS HAVE BEEN DESIGNATED. WE ALSO RECOMMENDED (1) FURTHER TIGHTENING OF REGULATIONS FOR REPLACING ATP CARDS AND (2) REQUIRING STATES RATHER THAN AGRICULTURE TO ASSUME FINANCIAL LIABILITY FOR LOCALLY PREVENTABLE LOSSES AND BILLING STATES FOR DUPLICATE ISSUANCES.

WORKFARE

WE HAVE TAKEN A FURTHER LOOK AT FOOD STAMP WORKFARE SINCE WE TESTIFIED BEFORE THIS SUBCOMMITTEE LAST YEAR. WE CONCLUDED THAT IMPLEMENTING A WORKFARE CONCEPT WAS ADMINISTRATIVELY FEASIBLE BUT THAT LOCAL DEMONSTRATION PROJECTS EXPERIENCED SUBSTANTIAL PROBLEMS GETTING PARTICIPANTS TO WORK ON A TIMELY BASIS. AVAILABLE COST-BENEFIT DATA WAS NOT RELIABLE FOR PREDICTING RESULTS OF AN ONGOING PROGRAM. CERTAIN CHANGES WE HAD RECOMMENDED EARLIER WERE ENACTED TO INCREASE PARTICIPATION, SHORTEN JOB SEARCH PERIODS, AND INCREASE PENALTIES FOR NONCOMPLIANCE.

PUERTO RICO NUTRITIONAL ASSISTANCE GRANT

AS YOU KNOW, PUERTO RICO WILL SOON BE IMPLEMENTING A GENERAL FOOD ASSISTANCE PROGRAM TO REPLACE THE FOOD STAMP PROGRAM. THE DEPARTMENT HAS RECOGNIZED THAT INFORMATION FROM PUERTO RICO'S EXPERIENCE IN DEVELOPING AND IMPLEMENTING THIS NEW PROGRAM COULD BE USEFUL TO THE STATES IF THE PRESIDENT'S PROPOSED FOOD STAMP/AFDC "SWAP" FOR MEDICAID IS ENACTED. IN FEBRUARY 1982 WE RECOMMENDED THAT AGRICULTURE IMPROVE AND EXPAND THE SCOPE OF ITS PLANS TO EVALUATE PUERTO RICO'S TRANSITION FROM THE FOOD STAMP PROGRAM TO THE NEW NUTRITIONAL ASSISTANCE GRANT.

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THIS CONCLUDES MY STATEMENT, MR. CHAIRMAN. WE WILL BE GLAD TO RESPOND TO ANY QUESTIONS YOU MAY HAVE.